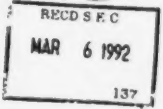
D 15210
Q 35899

P 12/17
92-2272



SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the Quarter Ended December 31, 1991 COMMISSION FILE NO. 0-19241

ROPAK LABORATORIES
(Exact Name of Registrant as Specified in its Charter)

California	33-0149560
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification Number)

16632 Milliken Avenue., Irvine, California	92714
(Address of Principal Executive Office)	(Zip Code)

Registrant's telephone number, including area code: (714) 851-8356

Not applicable
Former address, if changed since last report

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 12 or 15(D) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES [X] NO

Microfilmed by
Q-Data Corp. - St. Petersburg, FL

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the close of the period covered by this report: As of December 31, 1991: 5,065,155 shares of Common Stock.

ROPAX LABORATORIES

INDEX

	PageNumber
Part I - Financial Information	
Consolidated Balance Sheets - December 31, 1991 (unaudited) and September 30, 1991 (audited)	3
Consolidated Statements of Operations - Three Months Ended December 31, 1991 and Three Month Ended December 31, 1990 (unaudited)	5
Consolidated Statement of Shareholders' Equity - Three Months Ended December 31, 1991 (unaudited)	6
Consolidated Statements of Cash Flow - Three Months Ended December 31, 1991 (unaudited) and Fiscal Year of Seven Months Ended September 30, 1991 (audited)*	7
Notes to Consolidated Financial Statements (unaudited)	8
Management's Discussion and Analysis of Financial Condition and Results of Operations	9
Part II - Other Information	12
Signatures	12

* The Company changed its fiscal year during 1991 from the last day in February to the last day in September, effective September 30, 1991.

ROPAK LABORATORIES

CONSOLIDATED BALANCE SHEETS

ASSETS

	December 31, 1991 (unaudited)	September 30, 1991
CURRENT ASSETS		
Cash and cash equivalents	$117,202	$1,114,024
Short-term investments	3,035,887	3,228,363
Accounts receivable, trade	117,680	--
Accounts receivable from a related party, See Note 4	--	122,062
Inventories	667,129	577,551
Prepaid expenses and other current assets	225,527	144,722
TOTAL CURRENT ASSETS	4,163,425	5,186,722
FURNITURE, EQUIPMENT AND LEASEHOLD IMPROVEMENTS	1,021,855	834,126
OTHER ASSETS		
Notes receivable from officers	142,500	142,500
Prepaid royalties	62,687	63,437
Patents and trademarks, net of accumulated amortization of	85,056	70,375
Other	10,516	10,516
	300,759	286,828
TOTAL ASSETS	$5,486,039	$6,307,676

See notes to financial statements.

ROPAK LABORATORIES

CONSOLIDATED BALANCE SHEETS

LIABILITIES AND SHAREHOLDERS' EQUITY

	December 31, 1991 (unaudited)	September 30, 1991
CURRENT LIABILITIES		
Accounts payable and accrued expenses....	$ 381,202	$ 343,542
TOTAL CURRENT LIABILITIES.....	381,202	343,542
LONG-TERM DEBT.....	--	--
SHAREHOLDERS' EQUITY		
Preferred stock, no par value: authorized - 1,000,000 shares; none issued or outstanding.....	--	--
Common stock, no par value: authorized--15,000,000 shares; 5,065,155 shares issued and outstanding at December 31, 1991 and at September 30, 1991.....	11,083,307	11,083,307
Accumulated deficit.....	(5,980,470)	(5,119,175)
	5,102,837	5,964,132
	$5,486,039	$6,307,674

See notes to financial statements.

ROPAK LABORATORIES

CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended December 31, 1991 (unaudited)	1990 (unaudited)
REVENUES: (all sales for the 1990 period are to a related party -- See Note 4)	$ 264,134	$ 298,525
COSTS AND EXPENSES:		
Costs of revenues	129,622	109,380
Selling, general and administrative	902,060	101,499
Research and development	219,829	62,690
Total costs and expenses	1,251,511	273,569
(Loss) income from operations	(987,375)	24,956
Other expense (income)	(126,080)	9,000
NET (LOSS) INCOME	$(861,295)	$ 15,956
Income (loss) per share of common stock	$ (.17)	$ .01
Weighted average shares outstanding	5,123,619	2,635,457

See notes to financial statements.

ROPAK LABORATORIES

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

	Common Stock		Accumulated	
	Shares	Amount	Deficit	Total
Balance at September 30, 1991..	5,065,155	$11,083,307	$(5,119,175)	$5,964,132
Net loss for the three months ended December 31, 1991.....			(861,295)	(861,295)
Balance at December 31, 1991...	5,065,155	$11,083,307	$(5,980,470)	$5,102,837

See notes to financial statements.

BOPAK LABORATORIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended December 31, 1991 (unaudited)	Seven Months Ended September 30, 1991
OPERATING ACTIVITIES		
Net income (loss)	$(861,295)	$(3,453,265)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Loss from early extinguishment of debt	--	364,316
Depreciation and amortization	1,461	100,502
Common shares issued and capital contributed for services	--	193,000
Changes in operating assets and liabilities:		
Accounts receivable	4,382	112,231
Inventories	(89,578)	154,236
Notes receivable from officers	--	(142,500)
Other assets	(80,805)	267,518
Accounts payable and accrued expenses	39,660	(126,062)
Amounts due to officer/shareholder	--	(145,857)
Customer deposits	--	(232,000)
NET CASH USED IN OPERATING ACTIVITIES	(986,175)	(1,822,324)
INVESTING ACTIVITIES		
Investment in marketable securities	192,476	(3,228,363)
Purchase of furniture, equipment and leasehold improvements	(187,729)	(677,069)
Patent and trademark additions	(15,394)	(24,088)
NET CASH USED IN INVESTING ACTIVITIES	(10,647)	(3,929,520)
FINANCING ACTIVITIES		
Net proceeds from public offering of common stock, net of expenses	--	7,056,057
Proceeds from exercise of warrants	--	661,875
Repayment of credit line	--	(150,000)
Repayment of long-term debt	--	(1,150,000)
NET CASH PROVIDED BY FINANCING ACTIVITIES	--	6,417,932
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(996,822)	666,088
Cash and cash equivalents at beginning of period	1,114,024	447,936
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 117,202	$1,114,024

See notes to financial statements.

ROPAK LABORATORIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 1991

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reference is made to Note 1 of the Notes to Consolidated Financial Statements contained in the Company's Annual Report on Form 10-K for the fiscal year (transition period of seven months) ended September 30, 1991 for a summary of significant policies utilized by the Company.

NOTE 2 - UNAUDITED STATEMENTS

The information set forth in these statements as of December 31, 1991 and for the three months ended December 31, 1991 and 1990 are unaudited and may be subject to normal year-end adjustments. The information reflects all adjustments which, in the opinion of management, are necessary to present a fair statement of results of operations of Ropak Laboratories for the periods indicated.

NOTE 3 - RESULTS NOT NECESSARILY INDICATIVE OF FULL YEAR

Results of operations for the interim periods covered by this Report may not necessarily be indicative of results of operations for the full fiscal year.

NOTE 4 - RELATIONSHIP WITH ROPAK CORPORATION

In February 1989, the Company entered into an exclusive distribution agreement with Ropak Corporation for the exclusive distribution rights to all the Company's products. Under terms of the distributor agreement, Ropak Corporation acted as the exclusive distributor and marketing representative for all of the Company's products and services, and incurred all expenses related to the Company's sales and marketing efforts. In return for these efforts, Ropak Corporation purchased products from the Company at a discount of approximately 40% from the Company's standard list prices.

Effective as of September 30, 1991, the distributor relationship with Ropak Corporation was terminated by mutual agreement, and the Company repurchased all rights to the marketing and sale of its products and services primarily for the issuance of 281,233 additional shares of common stock.

As of the date of this Report, Ropak Corporation owns 1,031,233 shares of the Company's common stock (of which 750,000 shares were purchased for cash in 1989 and 1990, and 281,233 shares were issued in connection with the termination of its exclusive distributorship agreement). The President and Chairman of Ropak Corporation owns 18,750 shares of the Company's common stock and is a member of the Company's Board of Directors. Since all sales for the three months ended December 31, 1990 were to Ropak Corporation, and all accounts receivable as of September 30, 1991 were due from Ropak Corporation, such amounts are included in the financial statements as transactions with a related party.

Results of operations subsequent to September 30, 1991 will not be impacted by the distributor's discount previously accorded Ropak Corporation, but will reflect full absorption of all sales and marketing costs. As of September 30, 1991, the Company elected to change its fiscal year to September 30 to reflect this change.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

General

The following discussion and analysis should be read in conjunction with the financial statements and notes thereto appearing elsewhere in this Report.

Effective as of September 30, 1991, the Company by mutual agreement terminated its exclusive distributorship agreement with Ropak Corporation, and repurchased all sales and marketing rights to the Company's products and services. Management anticipates that the Company's sales will increase during 1992 and subsequent years as a result of terminating the former distributorship agreement with Ropak Corporation. An immediate increase as of October 1, 1991 will result from saving the price discount of approximately 40% previously accorded the former distributor. In addition, increases are expected from recent additions to the sales, marketing and technical support staff.

The impact of hiring sales and marketing personnel formerly employed by the distributor and of hiring additional sales and technical support personnel, however, will add substantially to sales and marketing expenses as compared to prior periods. Moreover, the effect of integrating employees of the former distributor and adding new personnel is not expected to be reflected in revenues until training is completed and new personnel obtain field experience with customers.

The Company elected to change the end of its fiscal year from the last day of February to the last day of September in each year, so that its results of operations in each full fiscal year henceforth will be comparable and correspond with the effective date of the Company's reacquisition of its sales and marketing rights.

Results of Operations

THREE MONTHS ENDED DECEMBER 31, 1991 COMPARED TO THREE MONTHS ENDED DECEMBER 31, 1990

Net sales for the three months ended December 31, 1991 (the "First Quarter") were $264,136, as compared to $298,525 for the three months ended December 31, 1990. The First Quarter decline in units sold, compared to the comparable quarter of the prior year, was even more severe than indicated by the foregoing figures. During the First Quarter, the Company no longer was required to absorb a 40% discount which impacted sales for periods prior to October 1, 1991 through its former distributor, Ropak Corporation.

Average monthly sales in the First Quarter of $88,000 continued a downward trend experienced in the four months ended September 30, 1991, in which net sales averaged approximately $63,000 per month (after deduction of the distributor discount). This trend was recently reversed in January and February 1992, in which sales were $121,000 and $140,000, respectively. Management attributes recent sales improvement to the reorganization of its sales and marketing staff and implementation of new programs after having terminated the exclusive distributor agreement with Ropak Corporation in late 1991. The Company believes that a more intense sales effort, refocused to concentrate on primary accounts,

together with an increased level of technical support at the customer level, is required to maintain a favorable sales trend. The Company has recently expanded its sales and technical support staff to support these efforts.

Management believes that the sales decline in 1991 is a result of several factors. Sales in Asia declined in response to the absence of a sales manager in Japan pending efforts by the Company's former distributor to recruit a replacement. Sales in both the United States and Europe were also below prior period levels, partly as a result of product validation studies for SKINTEX and SOLATEX being pursued by the Company and its customers which detracted from sales efforts. In addition, the Company believes that its former distributor concentrated on other portions of its business, whereas the Company is dedicated to allocating necessary resources and attention to the sale and marketing of the Company's products.

Cost of sales for the First Quarter were $129,622, compared to $109,380 for the comparable period of the prior year. Cost of sales in the First Quarter represented approximately 49% of net sales, yielding a gross margin of 51%. The decrease in gross profit margin during the First Quarter, as compared to a 63.5% gross profit margin in the comparable quarter of the prior year, is attributable to increases in fixed manufacturing costs for direct labor, equipment, facilities and other manufacturing overhead which were not absorbed by higher volume due to the sales decline discussed above.

The Company increased its manufacturing capacity and overhead in 1991 to accommodate significant increases in production capability, and in anticipation of sales increases projected by its former distributor. Raw materials represents a minor portion of the Company's cost of goods sold, while fixed expenses for facilities equipment and personnel account for the vast majority of costs of goods sol Gross margins are expected to remain depressed until sales growth necessary absorb increases in fixed costs have been attained. New equipment installed during 1991, although contributing to fixed costs, is expected over the long term to achieve reductions in unit costs and increases in labor productivity.

Selling, general and administrative expenses were $902,060 in the First Quarter, as compared to $101,499 during the three months ended December 31, 1990. Increases in selling, general and administrative expenses compared to prior periods are primarily attributable to the cost of sales and marketing expenses incurred subsequent to terminating the former distributor, as discussed above. Other general and administrative increases were associated with expansion of the Company's operations during 1991 and the effect of becoming a publicly-held company.

Research and development expenses for the First Quarter were $219,829, an increase compared to $62,690 for the three months ended December 31, 1990. Increases in research and development expenses are primarily attributable to increases in the level of product validation costs deemed essential to support existing and future sales and marketing efforts, plus the expenses of new product development (principally SOLATEX).

Other income of $126,080 for the First Quarter was the result of interest and investment income attributable to short-term investment of proceeds received from the Company's public stock offering in May 1991. During the prior year, other expense of $9,000 represented interest expense on indebtedness which was fully repaid during 1991.

Liquidity and Capital Resources

The Company's principal capital requirements relate to working capital for the production of inventories, general and administrative expenses, research and development, and sales and marketing.

Most of the Company's working capital consists of cash, cash equivalents and short-term investments in liquid marketable securities, which totalled $3,155,089 at December 31, 1991. As of December 31, 1992, the Company's working capital was $3,780,223 as compared to working capital of $4,843,180 at September 30, 1991. The decline in working capital is primarily attributable to a net loss for the first quarter ended December 31, 1991 of $861,295, increases in fixed assets of $187,729 and increases in inventory and other current assets of $170,383.

Management anticipates that working capital will continue to be depleted for the immediate future due to losses from operations. Until sale increases occur, revenues are less than the amounts necessary to cover fixed expenses for manufacturing overhead, research and development, and selling, general and administrative expenses. Sales increases will be dependent in part upon expanding use of the Company's products and services by its existing customers, many of whom are in the early stages of evaluating in vitro alternatives to traditional animal testing methods developed by the Company and others. Sales in 1992 may also benefit from introduction of the Company's new SOLATEX products.

The Company estimates its current operating cash requirements at approximately $350,000 per month, depending in part upon sales volume.

The Company's management believes that current funds and internally generated cash from operations and investments in marketable securities and money-market instruments will be sufficient to fund planned research and product development activities and working capital requirements of the Company for the fiscal year ending September 30, 1992. The Company's ability to sustain its current level of expenditures thereafter will be dependent upon future sales growth or the sale of additional equity, or a combination thereof. Should future sales growth fail to materialize, the Company anticipates that liquidity problems could be addressed by reducing the level of selling, general and administrative expenses incurred to support anticipated future growth and by reducing or deferring certain research and development efforts.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings. Inapplicable.

Item 2. Changes in Securities. Inapplicable.

Item 3. Defaults Upon Senior Securities. Inapplicable.

Item 4. Submission of Matters to a Vote of Security Holders. Inapplicable.

Item 5. Other Information. Inapplicable.

Item 6. Exhibits and Report on Form 8-K.

A report on Form 8-K dated November 5, 1991 was filed with respect to the termination of agreements with Ropak Corporation and the Company's repurchase of marketing and distribution rights to low producer and services.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Dated: March 4, 1992

ROPAK LABORATORIES

By: William M. Curtis

William M. Curtis,
Chief Financial Officer